PROVINCE OF SASKATCHEWAN

2012

ANNUAL REPORT

EXTENDED HEALTH CARE PLAN FOR CERTAIN OTHER RETIRED EMPLOYEES

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Letters of Transmittal

Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the eleventh Annual Report of the Extended Health Care Plan For Certain Other Retired Employees for the year ending December 31, 2012.

Ken Krawetz
Minister of Finance

The Honourable Ken Krawetz
Minister of Finance

Sir:

On behalf of the Advisory Committee, I have the honour to transmit herewith the eleventh Annual Report of the Extended Health Care Plan For Certain Other Retired Employees for the year ending December 31, 2012.

Brian Smith
Chair

Extended Health Care Plan For Certain Other Retired Employees

Introduction

The Extended Health Care Plan For Certain Other Retired Employees was established on January 15, 2002.

The Fund is used to account for the transactions of the Extended Health Care Plan For Certain Other Retired Employees which provides health care benefits to certain out-of-scope retired employees.

As at December 31, 2012, participation in the Plan has been approved by the Lieutenant Governor in Council for out-of-scope retired employees of the Government of Saskatchewan as defined under *The Public Service Act, 1998*.

Advisory Committee Members

Brian Smith, Chair
Ministry of Finance (PEBA)

Kevin Wilson
Ministry of Health

Tracey Smith
Ministry of Health

Bridget McLeod
Public Service Commission

Nathan Hagen
Public Service Commission

Participating Employers

The following employers participate in the Extended Health Care Plan for Certain Other Retired Employees:

Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)
Chief Electoral Officer (Office of the)
Children's Advocate (Office of the)
Enterprise Saskatchewan
Farm Land Security Board
Global Transportation Hub Authority (The)
Horned Cattle Fund
Information and Privacy Commissioner (Office of the)
Innovation Saskatchewan
Ombudsman (Office of the)
The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*
Saskatchewan Archives Board
Saskatchewan Municipal Board
Saskatchewan Milk Marketing Board
Technical Safety Authority of Saskatchewan

Administration

The Public Employees Benefits Agency has established a fund pursuant to *The Financial Administration Act, 1993* for the purpose of providing benefits under the Plan. An Advisory Committee is responsible for the management and investment of the Fund. The Advisory Committee consists of five representatives as nominated by the Saskatchewan Public Service Commission and appointed by Minister's Order.

The Plan pays a premium subsidy to Group Medical Services who provide insured extended health coverage to eligible retirees. The Plan's risk is limited to the payment of monthly premium subsidy as follows under the two year contract effective January 1, 2012:

Single	$14.70 per month
Couple	$29.40 per month
Family	$36.75 per month

Funding

For the period January 1, 2002 to December 31, 2002, the General Revenue Fund (GRF), on behalf of the Plan, paid premium subsidies to Group Medical Services. The amount paid from the General Revenue Fund was recorded as due to GRF and was repayable with interest.

This amount was repaid in 2003. Effective July 1, 2003 funding for the Plan became employer paid at a rate of .25% of straight time annual payroll.

Benefits

A retiree is eligible for benefits immediately following retirement. Claims are paid on behalf of eligible family members and covers certain health and vision care benefits.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Extended Health Care Plan For Certain Other Retired Employees, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Extended Health Care Plan For Certain Other Retired Employees has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

An Advisory Committee, as nominated by the Public Service Commission and appointed by Minister's Order, has been established and is responsible for reviewing the ongoing operations of the Plan.

I enclose the financial statements of the Extended Health Care Plan For Certain Other Retired Employees for the year ended December 31, 2012 and the Provincial Auditor's report on these financial statements.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Regina, Saskatchewan
April 5, 2013

Extended Health Care Plan For Certain Other Retired Employees

Financial Statements

Year Ended December 31, 2012

PROVINCIAL AUDITOR
of Saskatchewan

Independent Auditor's Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Extended Health Care Plan for Certain Other Retired Employees, which comprise of the statement of financial position as at December 31, 2012, and the statement of operations and change in net assets and accumulated surplus and statement of cash flow for the year ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards applicable for governments for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Extended Health Care Plan for Certain Other Retired Employees as at December 31, 2012, and the results of its operations, and its cash flows for the year ended December 31, 2012 in accordance with Canadian public sector accounting standards applicable for governments.

Bonnie Lysyk

Regina, Saskatchewan
April 5, 2013

Bonnie Lysyk, MBA, CA
Provincial Auditor

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Extended Health Care Plan For Certain Other Retired Employees
Statement of Financial Position

Statement 1

As At December 31

	2012	2011
FINANCIAL ASSETS		
Due from General Revenue Fund (Note 3)	$3,290,906	$2,921,499
Employer contributions receivable	88,019	41,894
	3,378,925	2,963,393
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	6,235	1,271
Net assets and Accumulated Surplus (Statement 2) (Note 2)	$3,372,690	$2,962,122

(See accompanying notes to the financial statements)

Extended Health Care Plan For Certain Other Retired Employees
Statement of Operations and Change in Net Assets and Accumulated Surplus

Statement 2

For The Year Ended December 31

	2012		2011
	Budget (Note 6)	Actual	Actual
REVENUES			
Employer contributions (Note 1)	$ 497,000	$521,180	$491,650
Interest income (Note 3)	32,800	33,870	28,525
	529,800	555,050	520,175
EXPENSES			
Insurance premium subsidy (Note 1)	114,600	114,476	98,990
Administration (Note 5)	29,390	30,006	15,578
	143,990	144,482	114,568
Operating Surplus	385,810	410,568	405,607
NET ASSETS AND ACCUMULATED SURPLUS, BEGINNING OF YEAR	2,962,122	2,962,122	2,556,515
NET ASSETS AND ACCUMULATED SURPLUS, END OF YEAR (Statement 1)	$3,347,932	$3,372,690	$2,962,122

(See accompanying notes to the financial statements)

Extended Health Care Plan For Certain Other Retired Employees
Statement of Cash Flow

Statement 3

For The Year Ended December 31

	2012	2011
Cash flow from (used in) operating activities:		
Employer contributions received	$ 475,055	$ 490,037
Interest income received	33,870	28,525
Insurance premium subsidies paid	(114,476)	(98,990)
Administration expenses paid	(25,042)	(14,913)
Cash flow from operating activities	369,407	404,659
Net increase in due from General Revenue Fund	369,407	404,659
DUE FROM GENERAL REVENUE FUND, BEGINNING OF YEAR	2,921,499	2,516,840
DUE FROM GENERAL REVENUE FUND, END OF YEAR	$3,290,906	$2,921,499

(See accompanying notes to the financial statements)

Extended Health Care Plan For Certain Other Retired Employees
Notes to the Financial Statements

December 31, 2012

1. Description of the Plan

The Extended Health Care Plan for Certain Other Retired Employees (Plan) was established on January 15, 2002 pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to eligible out-of-scope retired employees of the Government of Saskatchewan.

The Government, through the Minister of Finance, has entered into an agreement with an insurance company to provide eligible retirees with extended health coverage. The retirees are responsible to pay the insurance company the premiums set out in the agreement less a premium subsidy which is paid by the Plan. The Plan's risk is limited to the payment of a monthly premium subsidy to the insurance company for eligible retirees. The monthly premium subsidy for the year was $14.70 for a single policy, $29.40 for a couple policy and $36.75 for a family policy.

The Plan is funded by employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. Funding for the Plan commenced July 1, 2003. The Minister of Finance approved a contribution rate of 0.25% of the regular pay of current out-of-scope employees.

The Public Employees Benefits Agency (PEBA) manages the Plan under direction from the Advisory Committee. The Advisory Committee is made up of employers' representatives appointed by Minister's Order.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards applicable for governments. These statements do not present a Statement of Remeasurement Gains and Losses as the Plan has no remeasurement gains or losses. The following accounting policies are considered significant:

a) Employer contributions

Employers are billed premiums at the end of each month. Premiums are recognized as revenue when due.

b) Interest Revenue

Interest is recognized as income when earned.

c) Financial Instruments

The Plan's financial instruments consist of due from the General Revenue Fund, contributions receivable, and accounts payable and accrued liabilities.

Financial assets are measured at fair value. Gains and losses on financial assets are recognized in the Statement of Operations and Change in Net Assets and Accumulated Surplus when the financial asset is derecognized due to disposal or impairment.

For due from General Revenue Fund, fair value is determined as cost plus accrued income, which approximates market value.

Loans and receivables and other financial liabilities are measured at cost. Due to their short-term nature, the cost of these instruments approximates their fair value.

d) Use of estimates

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenues and expenses during the period. Key areas where management has made estimates and assumptions include those related to the fair value of financial instruments. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

3. Due from General Revenue Fund

The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Plan's bank account using the Government's thirty day borrowing rate, and the Plan's average daily bank account balance. The Government's average thirty day borrowing rate in 2012 was 1.08% (2011 – 1.05%).

4. Financial Risk Management

The nature of the Plan's operations results in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk) and liquidity risk. The Plan is not exposed to market risk or liquidity risk as it does not hold any investments.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from the following distinct sources:

	2012	2011
Due from General Revenue Fund	$3,290,906	$2,921,499
Employer contributions receivable	88,019	41,894

The maximum credit risk to which the Plan is exposed is limited to the carrying value of the financial assets summarized above.

The credit risk for short-term investments is managed through a policy that requires investments to meet a minimum investment standard of R-1 as determined by a recognized credit rating agency. The Plan did not hold any investments at December 31, 2012.

The Plan is exposed to minimal credit risk from the potential non-payment of employer contributions as these are receivables from government agencies and were collected shortly after year end.

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Plan by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at the agreed upon exchange amounts charged by these organizations.

All employer contributions and employer contributions receivable are from related parties. Also, in 2012, PEBA charged the Plan $30,006 (2011 – $15,578) for administration expenses. Included in accounts payable and accrued liabilities is $6,235 (2011 - $1,271) due to PEBA.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

6. Budget

PEBA prepares the budget for approval by the Advisory Committee. The budget was approved on March 20, 2012. Budget figures have not been audited, and are presented for information purposes.